

Township of Casco

St. Clair County, Michigan

Audited Financial Report
March 31, 2005

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

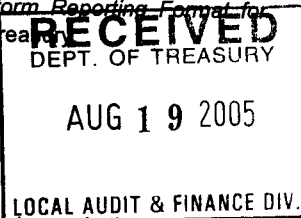
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Casco Township	County St. Clair
Audit Date 5/23/05	Opinion Date 5/24/05	Date Accountant Report Submitted to State: 8/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

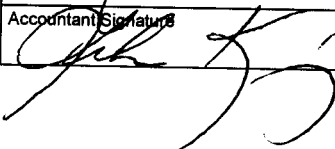


You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3531 Main Street		City Marlette	State MI
Accountant Signature 		ZIP 48453	Date 7/12/05

Township of Casco
Annual Financial Report
For The Fiscal Year Ended March 31, 2005

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

Phone 989-635-3113
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3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Members of the Township Board
Casco Township
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Casco, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Casco, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

May 24, 2005

Township of Casco

Casco, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Casco's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$562,394.

However, the Township budget for the upcoming year could experience expenditures exceeding the revenues, thus, using up some of the current fund balance. The State anticipates cutting State Shared Revenues. The current millage rate is .7968. Due to the Headlee Act, this millage is reduced each year. At the same time the main sources of revenue continue to experience cutbacks, the costs for Fire Protection, Road Maintenance, Insurance and other Township activities are rising. So, even though the Township is in stable financial position, good financial planning is necessary for future years. Such planning could consist of a fire or road millage to help support one or both of these activities.

The Township purchased 97 acres of land for future plans to develop it into a park and recreation area. The Township currently has accumulated \$347,600 of funds for development of this park. The Township owned 36 acres that were split into five parcels and made them available to be sold at \$65,000 each. Four parcels have been sold and one more is still for sale. These funds, along with the county millage for the Parks & Recreation, are being accumulated to develop these 97 acres into a future Township Park.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Casco's fund balances are as follows:

	<u>March 31,</u> <u>2005</u>	<u>March 31,</u> <u>2004</u>
General Fund	\$ 562,394	\$ 577,972
Parks & Recreation Fund	347,605	
Liquor Enforcement Fund	8,742	129,975
Total for Township	<u>\$ 918,741</u>	<u>\$ 707,947</u>

Township of Casco

Casco, Michigan

Governmental Activities

The Township of Casco's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Parks & Recreation Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Total Governmental Activities</u>
Fund Balance - Beginning of Year	\$ 577,972	\$ 129,974	\$ 8,171	\$ 716,117
Revenue Collected				
Intergovernmental Revenue	323,295	-	3,683	326,978
Property Taxes	137,987	17,151	-	155,138
Permits & Fees	64,777	-	-	64,777
Charges for Services	28,061	-	-	28,061
Sale of Capital Assets	-	195,000	-	195,000
Other	43,153	5,480	34	48,667
Total Revenue Collected	<u>597,273</u>	<u>217,631</u>	<u>3,717</u>	<u>818,621</u>
Expenditures				
General Government	297,965	-	-	297,965
Public Safety	-	-	3,146	3,146
Fire	90,450	-	-	90,450
Building Department	53,674	-	-	53,674
Other	37,805	-	-	37,805
Public Works	-	-	-	-
Roads & Drains	128,859	-	-	128,859
Other	4,098	-	-	4,098
Recreation & Culture	-	-	-	-
Total Expenditures	<u>612,851</u>	<u>-</u>	<u>3,146</u>	<u>615,997</u>
Fund Balance - End of Year	<u>\$ 562,394</u>	<u>\$ 347,605</u>	<u>\$ 8,742</u>	<u>\$ 918,741</u>

Township of Casco

Casco, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Casco's 2005/2006 adopted budget is as follows:

	General Fund		Building Fund	
	March 31,		March 31,	
	2006	2005	2006	2005
Budgeted Balance Forward	82,699			
Revenue				
Property Taxes	118,000	120,750	17,152	20,000
Intergovernmental Revenue	320,000	320,000	-	-
Charges for Services	58,000	50,000	-	-
Sale of Capital Assets	-	-		195,000
Other	31,350	30,000	1,174	1,174
Total Funds Available	610,049	520,750	18,326	216,174
Expenditures				
General Government	281,949	271,674	-	-
Public Safety - Fire	94,000	90,000	-	-
Public Safety - Building Department	49,600	46,650	-	-
Public Safety - Other	22,000	34,400	-	-
Public Works - Roads & Drains	154,500	159,900	-	-
Parks & Recreation	-	-	20,000	-
Capital Outlay	8,000	3,500	-	-
Transfers	-	-	-	-
Total Expenditures	610,049	606,124	20,000	-
Net Over/Under Budget	\$ -	\$ (85,374)	\$ (1,674)	\$ 216,174

The Township of Casco's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 4512 Meldrum Road, Casco, Michigan or by telephone at (586) 727-7524

Karen Holk
Township of Casco Supervisor

Township of Casco
Statement of Net Assets (Deficit)
March 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 884,265.35
Accounts Receivable	58,239.21
Due From Other Funds	700.00
Capital Assets	
Nondepreciable Capital Assets	219,514.00
Depreciable Capital Assets	<u>44,055.00</u>
Total Assets	1,206,773.56
<u>Liabilities</u>	
Accounts Payable	15,248.55
Due to Other Governmental Units	<u>9,215.00</u>
<u>Total Liabilities</u>	<u>24,463.55</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	263,569.00
Restricted:	
Reserved for Parks & Recreation	347,605.26
Unrestricted	<u>571,135.75</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 1,182,310.01</u>

The notes are an integral part of the statements.

Township of Casco
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 302,135.72	\$ 28,061.07	\$ -	\$ -	\$ (274,074.65)
Public Safety	185,075.35	64,776.74	-	-	(120,298.61)
Public Works	132,956.73	-	-	-	(132,956.73)
Interest on Long-Term Debt	-	-	-	-	-
Total Governmental Activities	620,167.80	92,837.81	-	-	(527,329.99)
General Revenues:					
Property Taxes					\$ 137,987.08
Intergovernmental Revenues					344,129.26
Interest					12,240.04
Other Revenues					231,426.80
Transfers					-
Total General Revenues, Special Items & Transfers					725,783.18
Change in Net Assets					198,453.19
Net Assets (Deficit) - Beginning of Year					983,856.82
Net Assets (Deficit) - End of Year					\$ 1,182,310.01

The notes are an integral part of the statements.

Township of Casco

Balance Sheet
Governmental Funds
March 31, 2005

	<u>General Fund</u>	<u>Parks & Recreation Fund</u>	<u>Liquor Law Enforcement Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash & Cash Equivalents	\$ 527,917.75	\$ 347,605.26	\$ 8,742.34	\$ 884,265.35
Accounts Receivable	58,239.21	-	-	58,239.21
Due From Other Funds	700.00	-	-	700.00
<u>Total Assets</u>	<u>\$ 586,856.96</u>	<u>\$ 347,605.26</u>	<u>\$ 8,742.34</u>	<u>\$ 943,204.56</u>
<u>Liabilities & Fund Equity</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 15,248.55	\$ -	\$ -	\$ 15,248.55
Due To Other Governmental Units	9,215.00	-	-	9,215.00
<u>Total Liabilities</u>	<u>24,463.55</u>	<u>-</u>	<u>-</u>	<u>24,463.55</u>
<u>Fund Equity</u>				
Fund Balances:				
Reserved:				
Parks & Recreation	-	347,605.26	-	347,605.26
Liquor Law Enforcement	-	-	8,742.34	8,742.34
Construction Code Enforcement	41,506.00	-	-	41,506.00
Unreserved - Undesignated	520,887.41	-	-	520,887.41
<u>Total Fund Equity</u>	<u>562,393.41</u>	<u>347,605.26</u>	<u>8,742.34</u>	<u>918,741.01</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 586,856.96</u>	<u>\$ 347,605.26</u>	<u>\$ 8,742.34</u>	<u>\$ 943,204.56</u>

The notes are an integral part of the statements.

Township of Casco
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 918,741.01
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Amounts reported for governmental activities in the statement of
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	263,569.00
---	------------

Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	-
--	---

Accrued Interest Payable is not reported in the Funds	<u>-</u>
---	----------

Net Assets of Governmental Activities	<u><u>\$ 1,182,310.01</u></u>
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The notes are an integral part of the statements.

Township of Casco
Statement of Revenues, Expenditures
And Changes in Fund Balances
Governmental Funds
For The Year Ended March 31, 2005

	General Fund	Parks & Recreation Fund	Liquor Law Enforcement Fund	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$ 137,987.08	\$ -	\$ -	\$ 137,987.08
Intergovernmental Revenues	323,295.00	17,150.91	3,683.35	344,129.26
Licenses, Permits, & Fees	64,776.74	-	-	64,776.74
Charges for Services	18,171.07	-	-	18,171.07
Interest Earnings	6,725.70	5,479.94	34.40	12,240.04
Fire Run Reimbursements	9,890.00	-	-	9,890.00
Rents & Royalties	25,019.97	-	-	25,019.97
Sale of Capital Assets	-	195,000.00	-	195,000.00
Other Revenues	11,406.83	-	-	11,406.83
Total Revenues	597,272.39	217,630.85	3,717.75	818,620.99
<u>Expenditures</u>				
General Government	297,964.72	-	-	297,964.72
Public Safety	181,929.44	-	3,145.91	185,075.35
Public Works	132,956.73	-	-	132,956.73
Capital Outlay	-	-	-	-
Total Expenditures	612,850.89	-	3,145.91	615,996.80
<u>Excess of Revenues Over (Under) Expenditures</u>	(15,578.50)	217,630.85	571.84	202,624.19
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Net Change in Fund Balances</u>	(15,578.50)	217,630.85	571.84	202,624.19
<u>Fund Balances - Beginning of Year</u>	577,971.91	129,974.41	8,170.50	716,116.82
<u>Fund Balances - End of Year</u>	\$ 562,393.41	\$ 347,605.26	\$ 8,742.34	\$ 918,741.01

The notes are an integral part of the statements.

Township of Casco
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ 202,624.19

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation

-

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt)

-

Interest Expense is reported in the Statement of Activities
when a Liability is incurred; they are reported in the
Governmental Funds only when payment is due

-

Depreciation is an Expenditures for the Statement of
Activities, but is not reported in the Governmental Funds

(4,171.00)

Net Assets of Governmental Activities

\$ 198,453.19

The notes are an integral part of the statements.

Township of Casco
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2005

	<u>Fiduciary Fund Types</u>		
	<u>Agency Funds</u>		
	<u>Trust & Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Totals March 31, 2005</u>
<u>Assets</u>			
Cash - Savings & Certificates	\$ 79,850.64	\$ 401.98	\$ 80,252.62
Due From Other Funds	-	-	-
<u>Total Assets</u>	<u>\$ 79,850.64</u>	<u>\$ 401.98</u>	<u>\$ 80,252.62</u>
<u>Liabilities & Fund Balance</u>			
<u>Liabilities</u>			
Due To General Fund	\$ 700.00	\$ -	\$ 700.00
Due To Others	79,150.64	401.98	79,552.62
<u>Total Liabilities</u>	<u>79,850.64</u>	<u>401.98</u>	<u>80,252.62</u>
<u>Fund Balances</u>			
Unreserved & Undesignated	-	-	-
<u>Total Fund Balances</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$ 79,850.64</u>	<u>\$ 401.98</u>	<u>\$ 80,252.62</u>

The notes are an integral part of the statements.

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Township of Casco, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Casco was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Casco (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Liquor Law Enforcement Fund - This fund accounts for specific revenue sources that are legally restricted to expenditures for liquor law enforcement.

Parks and Recreation Fund - This fund accounts for financial resources to be used for the acquisition of park land and development of park facilities.

Additionally, the Township reports the following fund types:

Agency Funds - These funds account for assets held for others in an agency capacity.

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official, except for one employee who is currently receiving vacation pay.

Inventories and Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	10 to 50 years
Machinery & Equipment	10 years

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

1. Summary of Significant Accounting Policies - Continued

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective April 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township. In addition, the governmental activities column includes bonds and other long-term obligations, previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted.
4. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the Township Board.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted to the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Treasurer	\$ 31,052	\$ 35,443	\$ 4,391
Supervisor	22,200	22,220	20
Assessor	18,300	18,370	70
Professional Services	52,700	95,789	43,089
Insurance & Bonds	10,000	10,541	541
Fire Protection	90,000	90,450	450
Planning & Zoning	23,900	28,610	4,710
Protective Inspections	46,650	53,674	7,024
Street Lights	7,000	7,995	995
Drans At Large	3,000	5,522	2,522

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 884,265	\$ 80,253	\$ 964,518

The Township's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$964,518. The bank balance as of March 31, 2005, was \$964,518, of which \$400,402, was covered by FDIC insurance.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments	NONE	NONE	NONE		
Total					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The Township levied the following taxes:

General Government Services	<u>0.7968</u> mills
-----------------------------	---------------------

5. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	<u>\$ 700</u>	Trust & Agency Fund	<u>\$ 700</u>
Total	<u><u>\$ 700</u></u>		<u><u>\$ 700</u></u>

Interfund Transfers reported in the Fund Statements are as follows:

NONE

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

6. Capital Assets

Capital assets activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2005</u>
Governmental Activities:				
Capital Assets not being Depreciated:	\$ 219,514	\$ 0	\$ 0	\$ 219,514
Capital Assets being Depreciated:				
Buildings & Building Improvements	\$ 93,992	\$ 0	\$ 0	\$ 93,992
Machinery & Equipment	23,451	0	0	23,451
Total Capital Assets being Depreciated	<u>117,443</u>	<u>0</u>	<u>0</u>	<u>117,443</u>
Accumulated Depreciation:				
Buildings & Building Improvements	(52,640)	(1,880)	0	(54,520)
Machinery & Equipment	<u>(16,577)</u>	<u>(2,291)</u>	<u>0</u>	<u>(18,868)</u>
Total Accumulated Depreciation	(69,217)	(4,171)	0	(73,388)
Net Capital Assets being Depreciated	<u>48,226</u>	<u>(4,171)</u>	<u>0</u>	<u>44,055</u>
Net Total Capital Assets	<u>\$ 267,740</u>	<u>\$ (4,171)</u>	<u>\$ 0</u>	<u>\$ 263,569</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 4,171
Total Governmental Activities	<u>\$ 4,171</u>

7. Long-Term Debt

The Township does not have any Long-Term Debt.

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

8. Reserves, Designations, and Restrictions of Fund Balance and Net Assets

Reserves- Reserved fund balances are legal restrictions on fund balance imposed by sources outside the Township, which typically involve donor restrictions for specific purposes on Township financial resource.

Designations - Designated fund balances are restrictions imposed by the Township on the use of fund balance for specific purposes.

Restricted Net Asset - Restricted Net Assets on the Statement of Net Assets are similar to reserved fund balance in that a portion of net assets are legally restricted for a specific purpose as imposed by sources outside of the Township.

The schedule of reserved, designated and restricted fund balance and net assets is as follows:

	<u>Reserved Fund Balance</u>	<u>Restricted Net Assets</u>
Governmental Activities:		
Parks & Recreation	\$ 347,605	\$ 347,605
Liquor Law Enforcement	8,742	-
Construction Coder Enforcement	41,506	-
	<u>\$ 397,853</u>	<u>\$ 347,605</u>

9. Defined Contribution Retirement Plan

The Township provides pension benefits to all of its elected officials and full-time employees through a defined contribution plan, the "Casco Township Fringe Benefit Plan", held and administered by American Skandia. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes fifteen percent of employees' gross earnings. The Township's contributions for each employee, plus interest allocated to the employees account, are fully vested immediately. Employees do not contribute to the Plan.

Pension benefits and contribution requirements are established and may be amended by the Township Board. For the year ended March 31, 2005, the Township's required and actual contribution was \$13,256.91.

10. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

11. Post Employment Benefits

The Township does not provide any post employment benefits other than pension benefits through American Skandia (See Note 8).

Township of Casco
Notes to the Financial Statements
For The Year Ended March 31, 2005

12. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

13. Contingent Liabilities

The Township is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Township that resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Required Supplemental Information

Township of Casco
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

General Fund				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Taxes	\$ 120,750.00	\$ 120,750.00	\$ 137,987.08	\$ 17,237.08
State Shared Revenues	320,000.00	320,000.00	323,295.00	3,295.00
Charges for Services	7,000.00	7,000.00	18,171.07	11,171.07
Licenses, Fee & Permits	35,000.00	35,000.00	64,776.74	29,776.74
Interest Earnings	5,000.00	5,000.00	6,725.70	1,725.70
Fire Run Reimbursements	8,000.00	8,000.00	9,890.00	1,890.00
Rents & Royalties	20,000.00	20,000.00	25,019.97	5,019.97
Other Revenues	5,000.00	5,000.00	11,406.83	6,406.83
Total Revenues	520,750.00	520,750.00	597,272.39	76,522.39
Expenditures				
General Government				
Township Board	3,700.00	3,700.00	3,306.56	393.44
Township Administration	63,820.00	63,820.00	62,138.76	1,681.24
Clerk	29,052.00	29,052.00	26,374.38	2,677.62
Treasurer	31,052.00	31,052.00	35,443.45	(4,391.45)
Supervisor	22,200.00	22,200.00	22,219.92	(19.92)
Assessor	18,300.00	18,300.00	18,370.25	(70.25)
Cemetery Maintenance	1,500.00	1,500.00	1,215.50	284.50
Professional Services	52,700.00	52,700.00	95,788.98	(43,088.98)
Board of Review	1,000.00	1,000.00	560.00	440.00
Township Hall Expense	38,350.00	38,350.00	22,005.92	16,344.08
Insurance & Bonds	10,000.00	10,000.00	10,541.00	(541.00)
Total General Government	271,674.00	271,674.00	297,964.72	(26,290.72)
Public Safety				
Fire Protection	90,000.00	90,000.00	90,450.08	(450.08)
Planning & Zoning	23,900.00	23,900.00	28,610.19	(4,710.19)
Protective Inspections	46,650.00	46,650.00	53,674.01	(7,024.01)
Street Lights	7,000.00	7,000.00	7,995.16	(995.16)
Board of Appeals	1,500.00	1,500.00	1,200.00	300.00
Total Public Safety	169,050.00	169,050.00	181,929.44	(12,879.44)
Public Works				
Road Maintenance	150,000.00	150,000.00	123,336.93	26,663.07
Drains At Large	3,000.00	3,000.00	5,521.58	(2,521.58)
Other	6,900.00	6,900.00	4,098.22	2,801.78
Total Public Works	159,900.00	159,900.00	132,956.73	26,943.27
Capital Outlay	3,500.00	3,500.00	-	3,500.00
Total Expenditures	604,124.00	604,124.00	612,850.89	(8,726.89)
Excess of Revenues Over (Under) Expenditures	(83,374.00)	(83,374.00)	(15,578.50)	67,795.50
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	(83,374.00)	(83,374.00)	(15,578.50)	67,795.50
Fund Balance - Beginning of Year	84,974.00	84,974.00	577,971.91	492,997.91
Fund Balance - End of Year	\$ 1,600.00	\$ 1,600.00	\$ 562,393.41	\$ 560,793.41

Township of Casco
Required Supplemental Information
Budgetary Comparison Schedule
Parks & Recreation Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Park Millage	\$ 20,000.00	\$ 20,000.00	\$ 17,150.91	\$ (2,849.09)
Interest	1,174.00	1,174.00	5,479.94	4,305.94
Sale of Capital Assets	195,000.00	195,000.00	195,000.00	-
<u>Total Revenues</u>	<u>216,174.00</u>	<u>216,174.00</u>	<u>217,630.85</u>	<u>1,456.85</u>
<u>Expenditures</u>				
Miscellaneous	-	-	-	-
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	216,174.00	216,174.00	217,630.85	1,456.85
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	216,174.00	216,174.00	217,630.85	1,456.85
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>129,974.41</u>	<u>129,974.41</u>
<u>Fund Balance - End of Year</u>	<u>\$ 216,174.00</u>	<u>\$ 216,174.00</u>	<u>\$ 347,605.26</u>	<u>\$ 131,431.26</u>

Township of Casco
Required Supplemental Information
Budgetary Comparison Schedule
Liquor Law Enforcement
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
State Shared Revenue	\$ 3,433.00	\$ 3,433.00	\$ 3,683.35	\$ 250.35
Interest	77.00	77.00	34.40	(42.60)
<u>Total Revenues</u>	<u>3,510.00</u>	<u>3,510.00</u>	<u>3,717.75</u>	<u>207.75</u>
<u>Expenditures</u>				
Liquor Law Inspector	3,168.00	3,168.00	2,999.52	168.48
Transportation	165.00	165.00	146.39	18.61
Miscellaneous	36.00	36.00	-	36.00
<u>Total Expenditures</u>	<u>3,369.00</u>	<u>3,369.00</u>	<u>3,145.91</u>	<u>223.09</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>141.00</u>	<u>141.00</u>	<u>571.84</u>	<u>430.84</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>141.00</u>	<u>141.00</u>	<u>571.84</u>	<u>430.84</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>8,170.50</u>	<u>8,170.50</u>
<u>Fund Balance - End of Year</u>	<u>\$ 141.00</u>	<u>\$ 141.00</u>	<u>\$ 8,742.34</u>	<u>\$ 8,601.34</u>

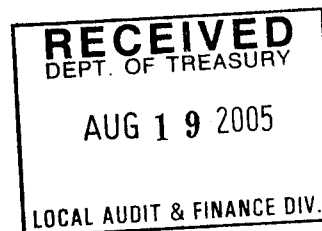
LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

May 24, 2005

Members of the Township Board
Township of Casco
St. Clair County, Michigan



Members of the Township Board:

In accordance with your request, I have made an examination of the financial statements of Casco Township for the fiscal year ended March 31, 2005. During the course of my examination, the following items came to my attention:

1. The clerk does not reconcile the fund balance bank balances with the actual bank statements. The clerk does compare the balance with the treasurer and they agree with each other. However, the clerk does not see the actual bank statements. It is my opinion that the clerk needs to receive copies of the bank statements to verify that the set of books reconcile with the bank.
2. The building bonds accounting system is maintained in fund balance and excel spread sheet. It is my opinion that periodically the excel spread sheet should be printed and filed to provide documentation that they reconcile with each other.
3. Per P.A. 621 of 1968, the board does not have authorization to spend money that exceeds the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed.

From an overall viewpoint, the Casco Township is in good financial condition. I thank the Township officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant